

# **DRINKING WATER STATE REVOLVING FUND DRAFT INTENDED USE PLAN**

Including

## **PROJECT PRIORITY LISTS**

For

State Fiscal Year 2007  
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## **COMMONWEALTH OF KENTUCKY**



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## APPENDIX A: PROJECT PRIORITY LIST

# INTRODUCTION

Kentucky's Intended Use Plan (IUP) for the Drinking Water State Revolving Fund (DWSRF) is prepared in accordance with the provisions of the Safe Drinking Water Act Amendments of 1996 (Act)<sup>1</sup>. The IUP describes the sources and uses of funds for the 2007 State Fiscal Year (July 1, 2006 to June 30, 2007) and provides specific details regarding the state's prioritization process for ranking projects, short-term and long-term goals, environmental benefits, set-aside activities and the listing of eligible projects. The purpose of this IUP is to communicate Kentucky's DWSRF plan for 2007 to the state's public water systems (PWSs), the public, EPA, and other state agencies.

The Kentucky Infrastructure Authority (KIA) and the Kentucky Environmental and Public Protection Cabinet (KEPPC) through the Division of Water (DOW) jointly administer the program via a Memorandum of Agreement in accordance with Kentucky Revised Statute (KRS) 224A.1115 and Kentucky Administrative Regulation (KAR) 200 KAR 17:070<sup>1</sup>.

## I. DWSRF GOALS

The primary goal of the DWSRF program is to assist PWSs in providing safe drinking water at an affordable cost to their customers. The program offers low-cost financing to PWSs for eligible drinking water infrastructure construction projects, planning and design costs relating to eligible projects, and eligible security projects. Through set-aside funds, the DWSRF is also used to improve environmental programs that support the goals of the Safe Drinking Water Act (SDWA). Examples include capacity development, operator certification, source water protection, and wellhead protection. Effective and efficient administration of the DWSRF program, combined with below-market interest rates and long-term financing will assist PWSs to provide sufficient quality and quantity of affordable potable water throughout Kentucky. Progress is reported for each State fiscal year (SFY), which is from July 1 to June 30, in the Annual Report to EPA.

### A. Short-Term Goals

1. Develop a set of specific environmental outcomes and measures which will demonstrate the projection of public health by category type through DWSRF funding.
2. Revise DWSRF loan requirements to eliminate unnecessary paperwork for DWSRF borrowers with the intent of increasing public interest in the DWSRF program.
3. Issue and evaluate contracts associated with set-aside initiatives.
4. Continue to protect public health by providing funds for the supply of safe drinking water to the citizens of the Commonwealth of Kentucky and loans to water systems for infrastructure improvements needed to comply with safe drinking water regulations.
5. Assist in ensuring affordable drinking water by providing an efficient program that can offer low cost financing.
6. Support components of the state drinking water and ground water programs by directing the necessary resources toward the State's most pressing compliance and health needs.

### B. Long-Term Goals

1. Restore and maintain a safe drinking water supply in Kentucky by developing a DWSRF program capable of funding and technically assisting systems that annually pose the most serious risk to public health and compliance with the Act.
2. Maintain the fiscal integrity of the DWSRF and preserve the fund to ensure funding availability in perpetuity. Progress toward this goal will be documented via the annually audited financial statements, loan monitoring activities and Board discussion of changes to the lending rate policy.
3. Evaluate via trend analysis the environmental measures and outcomes used to demonstrate the protection of public health to determine ongoing environmental priorities.

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<sup>1</sup> KRS Ch 224A.1115 and 200 KAR 17:070 may be found on the Internet from the Kentucky Legislature Home Page address: <http://lrc.ky.gov/home.htm>.

## **C. Environmental Outcomes and Measures**

In authorizing the Safe Drinking Water Act and its 1996 amendments, Congress found that safe drinking water is essential to the protection of public health. To show progress toward that goal, the State will establish environmental measures, collect data and report environmental outcomes accomplished as a direct result of funding from the DWSRF.

## **II. CAPACITY DEVELOPMENT OVERVIEW**

KRS Chapter 151 requires that the Kentucky Division of Water review any new water system to ensure that they demonstrate technical, managerial, and financial capacity to meet state and federal requirements. The Permits and Plans Review Section of the Drinking Water Branch continues to require substantial documentation for any major reconstruction or reorganization of existing public water systems prior to issuing approvals for projects to continue. An industry stakeholder's workgroup will be formed to assist the Cabinet in determining the direction for this program. The stakeholder's workgroup will consider industry ideas as well as ideas from various state government agencies including the Cabinet, KIA, the Public Service Commission and others as deemed appropriate. The members of the stakeholder's workgroup will be appointed by the Cabinet, in accordance with the authority granted in KRS 151.630.

The strategy for existing systems continues to be carried out. The Technical Assistance and Outreach Section in the Drinking Water Branch are continuing to participate in EPA's Area Wide Optimization Program (AWOP) program to assist surface water PWSs in optimizing treatment processes. Other technical assistance efforts are ongoing through the Kentucky Rural Water Association, Western Kentucky University's Small System Technology Center, the Kentucky Association of Counties peer review program, the DOW groundwater and wellhead protection programs, the water management planning councils, and other technical assistance initiatives.

## **III. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS**

### **A. Eligible Applicants**

The primary use of funds in the DWSRF is to provide assistance to PWSs that have ranked projects on the priority list. While the Act allows assistance to be given to privately owned PWS's, KIA is authorized by statute to provide financial assistance only to governmental agencies.

Assistance from the DWSRF may not be provided to systems that lack the technical, financial and managerial capability to ensure compliance with the requirements of the Act, unless the assistance will ensure compliance and the owners or operators of the systems agree to undertake feasible and appropriate changes in operations to ensure compliance over the long-term.

### **B. Project Prioritization**

A project priority ranking system was established and is used to determine the order in which projects are evaluated for funding. Kentucky's priority ranking formula is designed by DOW and based on the following criteria: (1) most serious risk to human health; (2) ensure compliance with the requirements of the Act; and (3) assist systems most in need on a per household basis according to State affordability criteria. A Project Priority List is produced annually based on the abovementioned ranking system. The Project Priority List is comprised of one list which serves as both a "fundable list" and a "comprehensive list". The fundable list is defined as a list of projects eligible for funding with available funds for the 2007 fiscal year. The projects on the comprehensive list may receive funding in the event that a project from the fundable list is withdrawn, deemed ineligible, or unable to meet the DWSRF program requirements within the given timeframe.

The Project Priority List is developed through an annual Call for Projects distributed to all PWS's, Area Development Districts, and the engineering community. Only those applications submitted through the Call for Projects process were considered for funding and placement on the Project Priority List. Additionally, the applicant must develop a project profile, receive endorsement by the Area Water Management Council, and be included in the Water Resource Information System (WRIS) to be considered eligible for funding.

Projects listed on the 2007 Project Priority List were evaluated and assigned a score based upon the priority formula. A table of the ranking categories and point system can be found under Section VII of this document. The Project Priority List is located in Appendix A. All projects will be notified of their ranking and status on the Project Priority List.

As required by the Act, to the maximum extent practicable, the highest priority projects are funded first. The projects chosen for funding are based on their readiness to proceed. In the event of ties in the ratings, priority will be given to the project serving the larger total population based on information maintained by KEPPC.

## **C. Small Systems**

To the extent eligible applicants are available a minimum of 15 percent of all funds credited to the project fund will be used to assist systems serving fewer than 10,000 persons. The Project Priority List contains the population for each project. Therefore, the number of small systems receiving funding can be easily tracked.

## **D. Bypass Process**

A high priority project that does not demonstrate capacity or is not ready to proceed within the given timeframe will be bypassed. A bypassed project will become ineligible for DWSRF funding in the current funding year, and will have to reapply through the annual Call for Projects process to be re-ranked for future funding cycles.

## **E. Application Deadlines**

After the public comment period of the IUP, the DOW will send a letter of conditions to the sponsor of each top ranked project on the fundable list. This letter will outline the conditions and timelines that must be met by the project sponsor to keep the project eligible for DWSRF funding. A written response will be required within 30 days of receipt of the letter of conditions to verify acceptance of its terms. The project will be bypassed if the sponsor of the project fails to respond within 30 days. This letter is not a commitment of funding but will assure that funding will be dedicated to a project provided all the conditions are met and the KIA Board and the Capital Projects and Bond Oversight Committee approves the request for funding.

Within three (3) months of receipt of the letter of conditions, applicants are required to accomplish the following:

1. Meet with DWSRF staff to discuss the environmental, technical and financial processes.
2. Submit environmental information that conforms to the DOW's NEPA-like environmental review process, which includes:
  - a. Submission of the Environmental Information Document (EID), or Categorical Exclusion (CE) checklist.
  - b. Federal cross-cutting agency scoping letters and responses.
3. Submit the Preliminary Engineering Report (PER).

Within nine (9) months of receipt of the letter of conditions, applicants are required to have accomplished the following:

1. Environmental Clearance.
2. Submit Loan Application.
3. DOW Approved Plans and Specifications, including authorization to advertise the project to bid.
4. Bid Opening and Tentative Award.

All DWSRF program requirements must be met and a binding commitment of funds received by the state fiscal year deadline of June 30, 2007.

## **F. Emergency Projects**

The IUP project priority list may be amended during the year for declarations of emergencies. Emergency projects would include those where some type of failure was unanticipated and requires immediate attention to protect public health. As allowed by the Act, the DWSRF may add a project on an emergency basis to the IUP list without additional public review and comment. The emergency project must still meet all eligibility and loan requirements. Deviations from environmental review requirements may be necessary in emergency circumstances that demand immediate action. The EPA must approve these deviations.

## G. Refinancing

Refinancing of existing projects will be allowed. Any project requesting to refinance existing debt must be on the project priority list in a position high enough to be eligible to receive funding and meet all program requirements.

## IV. FINANCIAL STATUS OF DWSRF PROGRAM

### A. Sources and Uses of Funds

Kentucky's DWSRF is capitalized by appropriations by the United States Congress and the Kentucky General Assembly. The fund provides, in perpetuity, financial assistance to Kentucky's PWSs. During 2007, Kentucky will rely on funding as outlined in Table 1 to provide financial assistance to communities, support operations in KIA and DOW, and support related program activities.

In SFY 2007, KIA will have \$39,908,699 available to fund eligible DWSRF projects. This is comprised of uncommitted prior year loan funds of \$124,555, loan repayments of \$13,185,691 and capitalization grants from the FFY 2005, 2006 and 2007, less set-asides, of \$21,120,293 and state funds of \$5,478,160. From the capitalization grants, the KIA and DOW will have an additional \$5,174,875 set-aside for environmental initiatives and \$1,095,632 for administration.

The \$5,478,160 state match will consist of proceeds from the sale of tax-exempt revenue bonds with debt service provided by the Commonwealth. The KIA will coordinate with the Finance and Administration Cabinet regarding the anticipated sale date of the bonds. The 2005 capitalization grant application was submitted to EPA on June 28, 2006. The anticipated submission dates for the 2006 and 2007 capitalization grant applications are September 30, 2006 and January 30, 2007, respectively. Grant awards are typically made within 90 days.

Transfers between the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund programs are allowed up to a maximum of 33% of the total DWSRF capitalization grants received. While KIA reserves the right to transfer available funds, a transfer is not expected during the 2007 fiscal year.

Table 1: Kentucky DWSRF Sources and Uses of Funds for 2007

<b>Funding Sources</b>	<b>Federal Contribution</b>	<b>State Contribution</b>	<b>Other</b>	<b>Total</b>
Uncommitted Prior Year Loan Funds			\$124,555	\$124,555
Loan Repayments*			\$13,185,691	\$13,185,691
Banked Prior Year Set-Aside Funds			\$2,862,461	\$2,862,461
2005 Capitalization Grant	\$10,088,800	\$2,017,760		\$12,106,560
2006 Capitalization Grant	\$8,630,300	\$1,726,060		\$10,356,360
2007 Capitalization Grant	\$8,671,700	\$1,734,340		\$10,406,040
State Program Management Expenditure Match		\$2,739,080		\$2,739,080
<b>Total Funding Sources</b>	<b>\$27,390,800</b>	<b>\$8,217,240</b>	<b>\$16,172,707</b>	<b>\$51,780,747</b>
<b>Funding Uses</b>				
Financial Assistance	\$21,120,293	\$5,478,160	\$13,310,246	\$39,908,699
Banked Prior Year Set-Aside Funds			\$2,862,461	\$2,862,461
2005 Administration (4%)	\$403,552			\$403,552
2005 State Program Management (10%)	\$1,008,880	\$1,008,880		\$2,017,760
2005 Technical Assistance (2%)	\$201,776			\$201,776
2005 Local and Other Assistance (5%)	\$504,440			\$504,440
2006 Administration (4%)	\$345,212			\$345,212
2006 State Program Management (10%)	\$863,030	\$863,030		\$1,726,060
2006 Technical Assistance (2%)	\$172,606			\$172,606
2006 Local and Other Assistance (6.5%)	\$560,970			\$560,970
2006 Local and Other Assistance (3%)	\$258,909			\$258,909
2007 Administration (4%)	\$346,868			\$346,868
2007 State Program Management (10%)	\$867,170	\$867,170		\$1,734,340
2007 Technical Assistance (2%)	\$173,434			\$173,434

**Total Funding Uses**

\$27,390,800	\$8,217,240	\$16,172,707	\$51,780,747
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\* Includes Principal and Interest repayments received as of May 31, 2006 (including Investment income) and anticipated repayments through June 30, 2007.

**B. Financial Terms of Loans****1. Funding Limit**

Kentucky's DWSRF has a \$4,000,000 limit on the amount of funds that will be available to any one borrower from a specific capitalization grant. A funding limit was implemented to allow greater access to low interest SRF funds to more projects and to maintain an acceptable risk level on the long-term viability of the DWSRF Loan Fund account.

**2. Interest Rates**

The KIA Board establishes a standard interest rate and a hardship interest rate for the program at least annually at the beginning of each state fiscal year. The rates are based on the prevailing market conditions, availability of funds, and funding demand. Currently, interest rates are 3% and 1% for the standard and hardship rates respectively. Qualifications for rates are subject to 200 KAR 17:070.

Planning and design loans will be made at the standard rate during the planning and design phase of the project. Should the planning and design loan be rolled into a construction loan, the rate on the planning and design loan amount will revert to the rate approved for the construction loan.

**3. Repayment Terms**

Planning and design loans will have a five-year repayment term. Should the planning and design loan be rolled into a construction loan, the term for the planning and design loan amount will revert to the term approved for the construction loan. Construction loans will have a twenty-year repayment term. At the KIA Board's discretion, the repayment term for a construction loan for disadvantaged communities may be extended to thirty years, but not beyond the expected design life of the project. At no time will an amount greater than or equal to 30% of the capitalization grant be provided as subsidy to disadvantaged communities.

Principal and interest payments on each loan will commence not later than 1 year after initiation of operation of the project for which the loan was made. The recipient of each loan must establish a dedicated source of revenue for the repayment of the loan.

**4. Loan Servicing Fees**

A loan servicing fee of 0.25 percent on the annual outstanding loan balance will be charged as a part of each semi-annual loan payment in accordance with 200 KAR 17:070, Section 12. The fee is assessed to recover administrative expenses incurred over the life of the loan. These fees are accounted for outside of the program fund and will be used for necessary DWSRF program expenses.

**5. Financial Options of the Fund**

The Act provides guidelines under which the DWSRF program is to be operated. However, the specific implementation of those guidelines affects the long-term financial feasibility of the fund. The following are allowable options within the DWSRF and Kentucky's treatment of each.

- a. Loan Subsidies – While the Act allows up to 30% of the fund to be used for negative interest loans or principal forgiveness, Kentucky does not offer this type of subsidy. Due to the relative newness and size of the fund, KIA and DOW realize the importance of growing the fund, not reducing it to the detriment of future borrowers. The current affordability criteria allow for a lower rate to be offered to hardship communities.

- b. Set-Asides – The Act allows up to 31% of the fund to be used as set-asides. However, fund dollars used as set-asides, other than set-asides for loans for wellhead protection, are not available for loans. KEPPC and KIA use a team approach to carefully plan and monitor the set-asides.
- c. Borrower Repayment – The borrower's ability to repay has a direct effect on the amount of funds available. A thorough credit analysis is performed for each borrower. Loan monitoring is performed throughout the life of the loan.
- d. Leveraging – Should demand increase significantly for DWSRF loans, KIA will consider leveraging the fund to increase the dollars available for financial assistance.



## V. SET-ASIDE ACTIVITIES

The federal authority to establish assistance priorities and to carry out oversight and related activities of the DWSRF program, other than financial administration of the Fund, resides with the Cabinet after consultation with other appropriate State agencies. Federal regulations allow states to “set aside” up to 31 percent of each capitalization grant for various programs, aside from project loans, that support the Act. Kentucky will set aside 21 percent of the 2005, 25.5 percent of the 2006 and 22.5 percent of the 2007 capitalization grants. The following is a list of Kentucky’s set-aside uses:

### A. DWSRF Administration - Sect. 1452(g)(2) – 4 percent maximum

Section 1452(g)(2) of the SDWA allows up to 4 percent of a DWSRF capitalization grant to be set aside for administration of the DWSRF program.

Kentucky will set aside 4 percent from each of the 2005, 2006 and 2007 capitalization grants for administration. The percent of each grant designated for the DOW and designated for the KIA will be agreed upon in the Memorandum of Agreement between the two parties.

The KEPPC and KIA conduct regular activities to develop and maintain the DWSRF program. These include reporting activities, payment processing, pre-application activities, travel, application review, engineering review, environmental review, construction progress inspection, training, portfolio management, audit management, cash management, securities management, financial management, financial analysis and capacity review.

Funds not obligated within one fiscal year of receipt of a capitalization grant award shall be reserved for use in future years.

### A. State Program Management – Sect. 1452(g)(2)(A) - 10 percent maximum

The Act allows a state to set aside 10 percent of its annual capitalization grant to support other program initiatives of the SDWA as follows:

- Supplement Public Water System Supervision Program
- Technical Assistance through Source Water Protection
- Development/Implement Capacity Development Program
- Development/Implement Operator Certification Program

The Program Set-Asides require an additional one-to-one state match. Thus, money diverted to these set-asides will demand a heavier investment of state funds. Kentucky will set aside 10 percent from each of the 2005, 2006 and 2007 capitalization grants to the DOW to supplement the PWSS program as follows:

1. Conduct non-regulatory Surface Plant Comprehensive Performance Evaluation (CPE) in order to increase the number of surface water treatment plants that are in compliance with current federal regulations and prepare the plants for implementation of the Interim Enhanced Surface Water Treatment Rule. Perform an additional number of file reviews, plans review, inspections, sanitary surveys, and complaint responses.
2. Other activities under may include, but are not limited to: tracking consumer confidence reports; preparing and issuing annual compliance reports; evaluating infrastructure needs for the Needs Survey; determining and approving log inactivation and removal credits for new or modified water treatment plants; enforcement activities; compliance determination; tracking new standards for disinfection/disinfectant byproducts, arsenic, radon, *Cryptosporidium*, and others when regulations are promulgated by EPA; and monitoring waivers and variances.

Funds not obligated within one fiscal year of receipt of a capitalization grant award shall be reserved for use in future years.

### B. Technical Assistance – Sect. 1452(g)(2)(D) - 2 percent maximum

The Act allows a state to set aside 2 percent of its annual capitalization grant to support technical assistance initiatives of the SDWA such as the following: leak detection and water loss reduction, non-community PWS groundwater under the direct influence of surface water determinations, compliance assistance as determined by the state, establishment of cross-connection control programs, development of environmental review documents for DWSRF projects, and PWS financial and managerial evaluations.

Kentucky will set aside 2 percent from each of the 2005, 2006 and 2007 capitalization grants to provide technical assistance to small systems (PWSs that serve populations less than 10,000 people).

Funds not obligated within one fiscal year of receipt of a capitalization grant award shall be reserved for use in future years.

### **C. State/Local Assistance – Section 1452(k) - 15 percent total, 10 percent maximum for any one activity**

Section 1452(k) of the SDWA allows up to 15 percent of the DWSRF capitalization grant to be set aside to support local assistance and other program initiatives of the SDWA with a 10 percent maximum for the individual program areas as outlined below.

- Loans for Source Water Protection through Land Acquisition or Conservation Easements
- Loans Source Water Quality Program
- Technical, Managerial, or Financial Assistance for Capacity Development Program
- Wellhead Protection Program

Kentucky will set aside 5 percent from the 2005 and 6.5 percent from each of the 2006 and 2007 capitalization grants to support the Technical, Managerial, or Financial Assistance for the Capacity Development Program as allowed under 1452(k)(2)(C) as follows:

- Activities may include, but are not limited to, identification of PWS's that may need help in obtaining or maintaining financial, managerial, or technical capacity to operate in compliance with the SDWA; contracts to assist public water systems in obtaining or maintaining capacity; further development of a security peer review program and various training opportunities held, sponsored or contracted by the Cabinet. The Cabinet may limit the amount of participation for contracts funded by these activities.

Kentucky will set aside 3 percent of the 2006 capitalization grant to support the Wellhead Protection Programs as allowed under 1452(k)(2)(E) as follows. No funds will be set aside from the 2005 or 2007 capitalization grants for this activity.

- Activities may include, but are not limited to, set up and maintain contact with PWS's to establish wellhead protection programs; assist with technical delineation of wellhead protection areas including performing pumping tests, geological and hydro-geologic write-ups, modeling and dye tracing; assist with development of management strategies to be used in wellhead protection; and provide public education assistance.

State/Local Assistance Program funds not obligated within four fiscal years of receipt of the capitalization grant shall be transferred to the project loan account.

## **VI. FUND TRANSFERS BETWEEN THE CWSRF AND THE DWSRF**

Transfers between the SRF programs are allowed up to a maximum of 33% of the total DWSRF capitalization grants received. KIA reserves the right to transfer the maximum allowable 33% of uncommitted repayment funds from the Clean Water SRF to the Drinking Water repayment fund as loan demand arises. This decision will be evaluated annually by the Cabinet and KIA. These funds will be distributed using the same criteria and method as described in the governing IUP. Funds not transferred within one fiscal year of receipt of a capitalization grant award shall be reserved for transfer in future years.

## **VII. KENTUCKY DRINKING WATER STATE REVOLVING FUND INFRASTRUCTURE CONSTRUCTION PROJECTS**

### **PRIORITY SYSTEM GUIDANCE**

#### **PURPOSE**

The Drinking Water State Revolving Fund (DWSRF) Priority System was developed to prioritize eligible projects for funding from the DWSRF. The DWSRF funds are intended to facilitate a Public Water System's (PWS) ability to obtain and maintain financial, managerial, and technical capabilities for compliance with the Safe Drinking Water Act (SDWA). This includes compliance with existing and future national drinking water standards or other activities to significantly further the health protection objectives of the SDWA.

## **METHODOLOGY**

The structure of the priority system incorporates new rules and initiatives promulgated since the 1996 amendments to the SDWA. The amendments include: Financial, Managerial, and Technical Capacity- Surface Water Treatment Rule- Total Coliform Rule- Lead and Copper Rule- Asbestos Standard- Capacity Development- Enhanced Surface Water Treatment Rules- Disinfectants and Disinfection Byproducts Rule- Groundwater Rule- and Best Available and Affordable Technology, with minor modifications. Projects are prioritized based on Priority Formula and a Tie Breaker.

### **PRIORITY FORMULA**

Violations of drinking water standards occur primarily as a result of inadequate infrastructure (which is fundable from the DWSRF) or as a result of poor operation (which is not fundable from the DWSRF). Therefore, a proactive approach was developed to set priorities based on infrastructure needs to achieve and maintain compliance with national drinking water standards or otherwise promote the public health objectives of the SDWA.

### **TIE BREAKER**

The tie breaker was developed to consider three factors: maintaining priorities to be funded in the order as set forth by the priority formula, expending DWSRF dollars to maximize the benefit toward compliance with the SDWA, and providing funding of projects that are affordable to the households that benefit from the project.

The tie breaker first considers the size of the PWSs. PWSs that serve less than 10,000 are prioritized higher than PWSs with a population of 10,000 or more. The tie breaker then calculates the DWSRF project cost per household that benefits from the project and assigns the highest priority to the project with the lowest cost per household.

### **APPLYING THE PRIORITY SYSTEM TO PROJECTS**

The Division of Water, Drinking Water Branch, assigns points in each of the six categories (Resource Development, Water Treatment, Water Distribution, Extension of Service for Public Health Protection, Security, Public Water System Financial Need) to projects as described below and as shown in Table 1, Priority Points. Points are based on information supplied by PWSs, their consultants, and local Area Development Districts. The project priority points will be the sum of all points assigned to each of the six categories.

#### **I. Resource Development**

This category allows affordable alternatives for a PWS to obtain and maintain financial, managerial, and technical capabilities to comply with the SDWA. Projects may include, but not be limited to: intakes, wells, raw and finished water lines, and pump stations.

- (a) Elimination of Public Water Systems Through Mergers - A PWS with its own water supply (i.e. trailer park or church) may not be financially capable of complying with the SDWA. A possible solution includes merger with another willing PWS that has the capabilities to maintain compliance.
- (b) Interconnections - A PWS that has a water treatment plant that needs to be rehabilitated, modified, or expanded to comply with the SDWA and meet existing demands may determine that a more affordable alternative would be to interconnect with another PWS to replace or supplement its water treatment facilities.
- (c) Source Water Quantity and Quality - A PWS is responsible to ensure that sufficient quantity (for drought vulnerable PWSs) and quality (based on existing water treatment capabilities) of raw water is available to meet existing demands. An affordable solution may be to secure a new source to replace or supplement the existing source rather than to provide additional treatment, interconnection or merger with another PWS. Reservoirs, dams, dam rehabilitation, and water rights are prohibited from funding by the DWSRF.

#### **II. Water Treatment**

This category allows a PWS to comply with the Surface Water Treatment Rule (SWTR) and the national drinking water standards of the SDWA.

- (a) Microbiological and Turbidity - The sub-categories listed allow a PWS to comply with the bacterial and viral contamination standards of the SWTR.

- (i) Treatment Prior to Filtration – Pre-filtration is included in this category. “Pre-filtration refers to treatment processes to comply with CT removal requirements of the SWTR. Treatment processes include, but are not limited to new: pre-settling basins, rapid mix, flocculation, sedimentation, baffling of flocculation and sedimentation basins, and chemical feeders for proper coagulation.
  - (ii) CT Inactivation Requirements – The disinfection process is included under this category. “Disinfection Process” refers to disinfection techniques to comply with CT inactivation requirements of the SWTR. Disinfection techniques include, but are not limited to new: pre-chlorination, post chlorination, and baffling of clearwells.
  - (iii) New Water Treatment Facilities/ Finished Water Turbidity – “Filtration” refers to filtration processes to comply with turbidity requirements of the SWTR. Filtration processes include, but are not limited to new: filter media, filter surface wash, backwash pumps, filter underdrains, and continuous turbidity monitors. \*See *RESTRICTION (a)* regarding point limitations for new treatment facilities.
  - (iv) Rehabilitation of Water Treatment Facilities – Rehabilitation to existing water treatment facilities refers to restoring or replacing treatment equipment back to its original condition without an increase in the design capacity of the plant. Examples include but are not limited to the rehabilitation of: filters and underdrains, clearwells, high and low service pumps, intake structures, carbon feed systems, and chemical feed systems.
- (b) Best Available Technologies – The sub-categories listed allow a PWS to comply with chemical contamination standards of the SDWA. Treatment processes include, but are not limited to: aeration towers, ion-exchange, and iron and manganese removal.

**RESTRICTIONS:**

- (a) New water treatment plants are limited to Finished Water Turbidity – 2(a)(iii) – unless a need for best available technology based on raw water quality is demonstrated. Construction of new water treatment plants is allowed to replace existing facilities only when the cost of upgrading for compliance with the SDWA is not determined to be the best affordable alternative over the lifetime of the project or when a PWS demonstrates, for public health protection, that existing household water system contamination exists and no other PWS is capable of serving the area.
- (b) Expansion of existing water treatment plant is limited to Finished Water Turbidity - 2(a)(iii) – unless a need for best available technology based on raw water quality is demonstrated. Expansion of existing water treatment plants is allowed only when the flow rates of existing plants are reduced to comply with the SDWA, resulting in insufficient capacity to meet existing demands or when the state institutes a water line extension or water tap-on ban due to insufficient capacity to meet peak periods of existing demand.

### **III. Water Distribution**

This category allows a PWS to comply with the Surface Water Treatment Rule (as it relates to disinfection residual), Total Coliform Rule, Lead and Copper Rule, and the Asbestos Standard. Projects may include, but are not limited to; installation, refurbishment, or replacement of raw and finished water lines; installation, refurbishment, replacement or baffling of potable water storage facilities; installation, refurbishment, or replacement of pump stations in relation to storage facilities; elimination of constantly running or hydro-pneumatic pump stations; looping of water lines; flushing devices; and disinfection booster stations.

**RESTRICTIONS:**

- (a) Points for Inadequately Sized Water lines – 3(a)(i) – are allowed only when the need applies to at least twenty (20) percent of all waterlines included in the project and documentation supports reduced pressures and flows that have resulted in or may result in noncompliance with the Total Coliform Rule or the Surface Water Treatment Rule (as it relates to disinfection residual).
- (b) Points for Leaks, Breaks, or Restrictive Flows Due to Age – 3(a)(ii) – are allowed only when the need applies to at least twenty (20) percent of all water lines included in the project and documentation supports reduced pressures and flows that have resulted in or may result in noncompliance with the Total Coliform Rule or the Surface Water Treatment Rule (as it relates to disinfection residual).
- (c) Points for the Replacement of Lead, Copper, or Asbestos Cement Lines – 3(b)(iii) – are allowed only when the need applies to at least twenty (20) percent of all water lines included in the project and documentation supports existing or potential noncompliance with the Lead and Copper Rule or the Asbestos Standard.

- (d) Points for Inadequate Distribution Storage – 3(a)(iii) – will not be allowed for additional storage in excess of the one-day storage need for existing customers.

#### IV. Extension of Service for Public Health Protection

This category allows points for water line extensions to serve areas where existing households have insufficient financial and technical capabilities to maintain water supply systems that comply with the SDWA. Ten points will be applied to a water line extension project under this category, for the first ten households. Every ten households thereafter will accumulate two additional points, to be added to the total score.

**RESTRICTION:** Points for Source Water Quality and Availability - 4(a) - are allowed only when the need applies to at least fifty (50) percent of the customers connecting to the proposed waterlines. Note: Bacteriological samples submitted in support of the project need must comply with the sample collection requirement as outline in the state Regulation – 401 KAR 8:200 Section 1(7).

#### V. Security

This category will allow points to be applied to a project for measures taken at the physical location of the water treatment facilities or the distribution system, with the intent to prevent, deter, and readily respond to terroristic acts.

- (a) Measures at the water treatment plant may include, but are not limited to fencing, video surveillance of treatment or storage facilities, alarms, signs, lock gates, and radio intercom systems.
- (b) Distribution security measures may include, but are not limited to fencing around water storage tanks and pump stations, video surveillance of water storage tanks and pump stations, and alarm systems at tanks and pumps.

**RESTRICTION:** Salaries for security personnel are not eligible for funding.

#### VI. Public Water System Financial Need

This category provides additional points based on the median household income of the PWS service area.

<b>Table 1- DWSRF Priority Points</b>	
<b>Rating Factors</b>	<b>Points Available</b>
<b>1. Resource Development</b> – to obtain and maintain financial, managerial, and technical capabilities to comply with the SDWA	
(a) Elimination of Public Water Systems Through Mergers	
(i) Systems Serving 500 or Fewer Population	25
(ii) Systems Serving 501-3,300 Population	20
(iii) Systems Serving 3,301-10,000 Population	15
(iv) Systems Serving 10,001 or Greater Population	10
(b) Interconnections	
(i) Elimination of Water Treatment Plants	25
(ii) Supplement Potable Water Supply	15
(iii) Emergency Backup Potable Water Supply	5
(c) Source Water Quantity and Quality	
(i) Replace Existing Raw Water Source	15
(ii) Supplement Existing Raw Water Source	15
<b>2. Water Treatment</b> – to comply with the Surface Water Treatment Rule (SWTR) and the national drinking water standards of the SDWA	
(a) Microbiological and Turbidity	
(i) Treatment Prior to Filtration	25
(ii) CT Inactivation Requirements	20
(iii) Finished Water Turbidity/ New Water Treatment Facilities	20
(iv) Rehabilitation of Water Treatment Facilities, (No Increase in Capacity)	10
(b) Best Available Technologies	
(i) VOCs, IOC, SOCs, and Radionuclides	20
(ii) Disinfectants and Disinfection By-Products	15
(iii) Secondary Contaminants	10
<b>3. Water Distribution</b> – to comply with the Surface Water Treatment Rule (as it relates to disinfection residual), Total Coliform Rule, Lead and Copper Rule, and the Asbestos Standard.	
(a) Pressure	
(i) Inadequately Sized Water Lines	10

(ii) Leaks, Breaks, or Restrictive Flows Due to Age	10
(iii) Inadequate Distribution Storage	10
(iv) Rehabilitation of Water Storage Tank or Pump Station	5
(b) Quality	
(i) Inadequate Turnover of Water	10
(ii) Inability to Maintain Disinfection Residual	10
(iii) Replace Lead, Copper, Asbestos Cement Lines	10
<b>4. Extension of Service for Public Health Protection</b> – to serve areas where existing households have insufficient financial and technical capabilities to maintain water supply systems that comply with the SDWA.	
(a) Source Water Quality and Availability (Up to 10 existing homes)	10
Two additional points for every additional 10 thereafter	2
<b>5. Security</b> – for measures taken at the physical location of the water treatment facilities or the distribution system, with the intent to prevent, deter, and respond to terrorist acts.	
(a) Measures taken at the Water Treatment Plant Facilities	4
(b) Measures taken within the Distribution System	4
<b>6. Public Water System Financial Need</b>	
(a) MHI less than 80% of the State Median	4
(b) MHI less than the State Median and 80% or More of the State Median	2

## APPENDIX A: PROJECT PRIORITY LIST

RANK	SCORE	COUNTY	DWSRF#	PWSID#	WRIS#	APPLYING ENTITY	Brief Project Description	Total Project Cost	SRF Loan Amount Requested	Population	Cumulative Amount Requested
1	155	FAYETTE	A0732	NEW	WX21067004	BLUEGRASS WATER SUPPLY COMMISSION	Planning & Design	4,100,000	4,000,000		4,000,000
2	79	MONROE	A075	0860150		MONROE-TOMPKINSVILLE REGIONAL WATER	New WTP	12,000,000	4,000,000	10,415	8,000,000
3	63	OWSLEY	A024	0950036	WX21189502	CITY OF BOONEVILLE	WTP Upgrade & Distribution Improvements	2,718,800	2,718,800	5,775	10,718,800
4	53	JOHNSON	A0737	0580340	WX21115001	PAINTSVILLE UTILITIES	WTP Upgrade	18,855,000	4,000,000	19,785	14,718,800
5	51	CAMPBELL	A0723	0590220	WX21037560	NORTHERN KY WATER DISTRICT	WTP Upgrade	6,030,600	4,000,000	248,064	18,718,800
6	50	BRECKINRIDGE	A0710	0140966	WX21027002	CITY OF HARDINSBURG	Distribution Improvements	1,017,000	1,017,000	9,636	19,735,800
7	49	MARTIN	A0719	0580340	WX21159002	MARTIN CO. WATER DISTRICT	WTP Upgrade	5,000,000	2,000,000	10,461	21,735,800
8	48	MADISON	A0729	0760464	WX21151015	MADISON CO. UTILITIES DISTRICT	Distribution Improvements	3,877,000	3,377,000	9,504	25,112,800
9	44	FLOYD	A0735	0360358	WX2107120	PRESTONSBURG CITY UTILITIES	New WTP	14,500,000	625,000	21,000	25,737,800
10	43	WOLFE	A072	1190061	WX21237050	CITY OF CAMPTON	New WTP	3,750,000	2,000,000	5,940	27,737,800
11	40	JESSAMINE	A0714	0570249	WX21113001	JESSAMINE S. ELKHORN W.D.	Distribution Improvements	1,750,000	1,725,000	6,741	29,462,800
12	30	LETCHER	A0718	0670562	WX21133005	LETCHER CO. WATER & SEWER DISTRICT	Distribution Improvements	912,000	500,000	369	29,962,800
13	29	ADAIR	A071	0010702	WX21001011	ADAIR CO. WATER DISTRICT	Distribution Improvements	3,202,000	900,000	17,820	30,862,800
14	24	JESSAMINE	A0722	0570315	WX21113011	CITY OF NICHOLASVILLE	WTP Upgrade	10,000,000	4,000,000	22,836	34,862,800
15	24	GRANT	A073	0410472	WX21081016	CITY OF WILLIAMSTOWN	WTP Upgrade	6,532,000	4,500,000	6,105	39,362,800
16	24	HART	A0738	0500032		CITY OF BONNIEVILLE	Distribution Improvements	11,692	11,692	805	39,374,492
17	22	CHRISTIAN	A0721	0240201	WX21047028	HOPKINSVILLE WATER ENVIRONMENT AUTHORITY	WTP Upgrade	10,000,000	4,000,000	44,345	
18	22	MADISON	A076	0760030		CITY OF BERE A	WTP Upgrade	4,400,000	2,000,000	12,883	
19	22	MARSHALL	A0734	0790056	WX21157030	CITY OF CLAVERT CITY	Distribution Improvements	166,000	166,000	3,983	
20	21	MADISON	A077	0760030		CITY OF BERE A	Distribution Improvements	1,760,000	1,000,000	12,883	
21	20	CHRISTIAN	A0720	0240201	WX21047003	HOPKINSVILLE WATER ENVIRONMENT AUTHORITY	Distribution Improvements	7,300,000	4,000,000	44,345	
22	16	MARSHALL	A0733	0790056	WX21157015	CITY OF CALVERT CITY	Distribution Improvements	439,472	439,472	3,983	
23	14	BRECKINRIDGE	A0717	0140079	WX21027007	CITY OF CLOVERPORT	WTP Upgrade	1,500,000	1,500,000	1,930	
24	14	SCOTT	A0713	1050157	WX21209006	GEORGETOWN MUNICIPAL WATER & SEWER SERVICE	Treatment	750,000	750,000	31,868	

25	14	MARION	A0711	0780241	WX21155001	LEBANON WATER WORKS	Distribution Improvements	600,000	600,000	8,300
26	14	MADISON	A0730	0760672	WX21151021	KIRKSVILLE WATER ASSOCIATION	Distribution Improvements	701,400	701,400	4,617
27	14	MADISON	A0731	0760672	WX21151025	KIRKSVILLE WATER ASSOCIATION	Distribution Improvements	140,600	140,600	4,617
28	14	LOGAN	A074	0710247		CITY OF LEWISBURG	Distribution Improvements	60,000	60,000	3,392
29	12	MUHLENBERG	A0716	0890304	WX21177009	MUHLENBERG COUNTY WATER DISTRICT #3	Distribution Improvements	288,000	144,000	6,993
30	12	CARROLL	A0736	0210008	WX2104110	WEST CARROLL WATER DISTRICT	Distribution Improvements	482,281	250,000	1,858
31	10	SCOTT	A079	1050157	WX21209005	GEORGETOWN MUNICIPAL WATER & SEWER SERVICE	Distribution Improvements	360,000	360,000	31,868
32	10	GRANT	A0728	0410047	WX21081312	BULLOCK PEN WATER DISTRICT	Distribution Improvements	872,000	872,000	19,000
33	10	GREENUP	A0712	0450478	WX21089041	CITY OF WORTHINGTON	Distribution Improvements	33,000	20,000	2,244
34	10	GRANT	A0727	0410047	WX21081303	BULLOCK PEN WATER DISTRICT	Distribution Improvements	1,343,900	1,343,900	19,000
35	2	MUHLENBERG	A0715	0890304		MUHLENBERG COUNTY WATER DISTRICT #3	Other	380,000	190,000	6,993
36	2	MADISON	A078	0760030		CITY OF BERE A	Other	10,000,000	8,000,000	Withdrawn